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The Board For International Broadcasting

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Eighth Annual Report 1982

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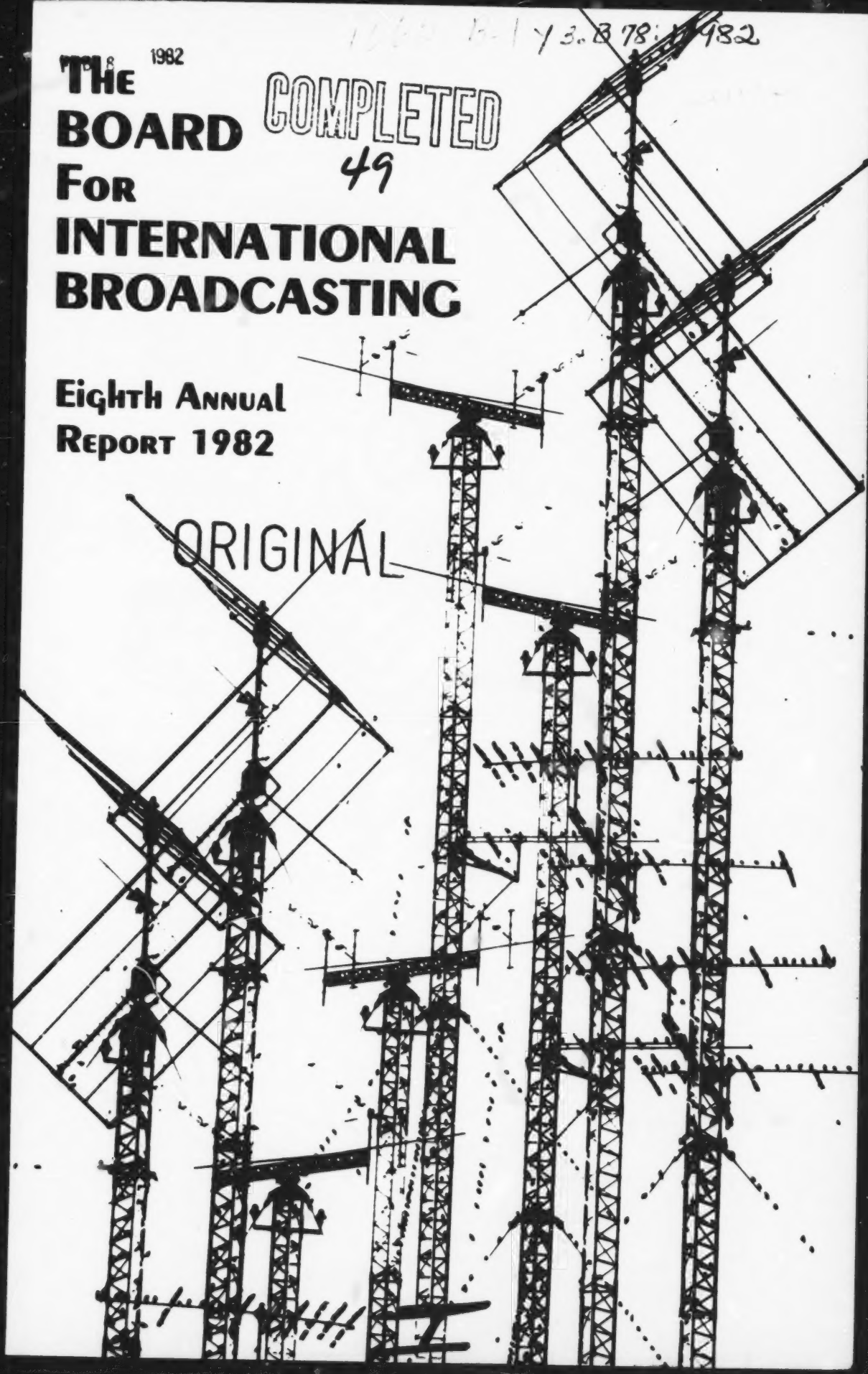

The morning after the bomb explosion at RFE/RL Munich headquarters on February 21, 1981 (top) and the same view following reconstruction

II

TO THE PRESIDENT OF THE UNITED STATES AND THE CONGRESS OF THE UNITED STATES

In accordance with the requirements of Section 4a, Public Law 93–129, as amended, the Board for International Broadcasting herewith submits its Eighth Annual Report on its activities as well as its review and evaluation of the operation and mission of Radio Free Europe/Radio Liberty. This report covers the period from October 1, 1980 through September 30, 1981.

Respectfully submitted,

Frank Shakespeare

January 31, 1982

THE BOARD

Frank Shakespeare, *Chairman*
Charles D. Ablard
Mark I. Goode
Thomas Henry Quinn
Ben J. Wattenberg
Glenn W. Ferguson (*ex officio*)
Douglas Manship (*ex officio*)

Walter R. Roberts, *Executive Director*

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V

1 | Introduction

In three decades of broadcasting to Eastern Europe and the Soviet Union, Radio Free Europe/Radio Liberty have rarely experienced so dramatic a year.

The most startling single episode—the first ever in the radios' history—was a bomb explosion at RFE/RL Munich headquarters on the night of February 21, 1981. Four employees were seriously injured; property damage exceeded two million dollars. Who planted the bomb remains a mystery, but the investigation is continuing.

The greatest sustained challenge to RFE/RL, however, was posed by revolutionary developments in Poland. The turbulent "renewal," which had begun in July 1980, continued throughout the year to generate ever new precedents, confrontations and flashpoints.

RFE/RL met the challenge, day after day, with impressive resourcefulness. Its coverage of the Polish drama was timely and comprehensive, its editorial policy highly responsible.

Within Poland, the broadcasts' impact was unmistakable. Spot surveys taken in the fall of 1980 indicated that two-thirds of adult Poles were tuning into RFE at moments of crisis.

On May 8, 1981, Communications Minister Zbigniew Rudnicki acknowledged that Poland's own $3-million-a-year effort since 1971 to jam RFE was failing. "Our equipment is in bad shape," the Polish official told a Western correspondent. "It hasn't been renewed or replaced for ten years, and it's beginning to fall apart." Asked what might happen when the equipment did fall apart, the minister replied: "There will be no jamming."

Last June, however, virtually coinciding with a Soviet Central Committee ultimatum and Warsaw Pact military maneuvers, Polish listeners began reporting new difficulties in hearing RFE. In August, Western diplomats in Warsaw confirmed the difficulties. RFE/RL technical monitors, noting a significant degradation of signal quality, ascribed it to more effective jamming. Further investigation last fall indicated that the new jamming effort was coming from *Soviet* territory. This jamming was sharply intensified, to the highest levels in history, following the proclamation of martial law in Poland on December 13, 1981.

This action represented the second major expansion of Soviet jamming in barely a year. On August 20, 1980, after a seven-year hiatus, the Kremlin resumed the jamming of Voice of America, British Broadcasting Corporation, Deutsche Welle and other Western broadcasts to the U.S.S.R. There was no letup in jamming of Radio Liberty, which has

been continuous since 1953. The cost of the Soviet jamming effort has been variously estimated between $150–300 million.

As a result of these developments in 1981, all of the 21 RFE/RL language services except Hungarian and Romanian now face severe jamming. The challenge cannot be minimized, for in the world of shortwave radio broadcasting jammers enjoy many technical advantages.

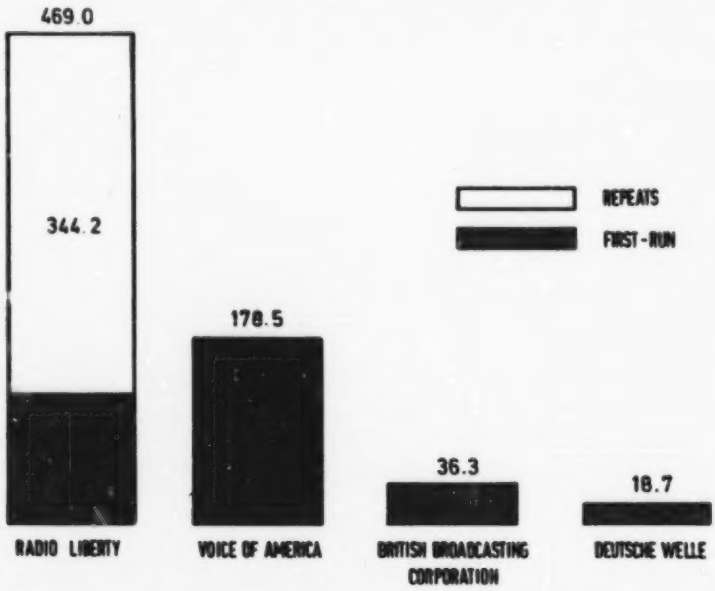
Jamming has been a priority concern of this Board since its creation. With the support of three Administrations and five Congresses, the power of the RFE/RL transmitter network has been doubled since 1974, and further efforts toward technical modernization are in progress. We have also sought, in all available international forums and with strong support from our Western allies, to bring about an end to jamming by political negotiation; these efforts will also continue.

In present circumstances, however, we believe that the time has come for a much more intensive Government-wide scientific research effort into jamming and anti-jamming techniques. No such concentrated effort has been made in thirty years. Although such an effort might yield only marginal advantages, the possibility of a genuine scientific breakthrough should not be discounted. We are already cooperating in a thoroughgoing exploration of the political, legal, financial and technical problems that might be involved in employing direct broadcast satellites instead of, or in addition to, terrestrial transmitters.

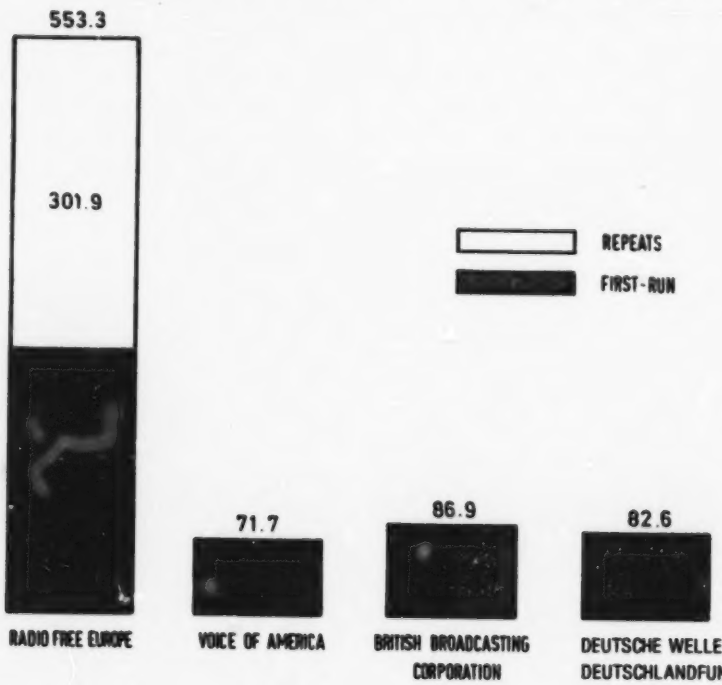
The emphasis in this brief introduction has been on the principal obstacle to RFE/RL reception, because the programs speak for themselves and because there can be little doubt that there are large and receptive audiences. The more detailed chapters of this report describe the programs themselves; their audiences and how they are reached; and some of the financial and organizational problems that have been involved in the effort. Appendices include the basic editorial policy documents and the auditors' report on RFE/RL finances.

President Reagan's three appointees to this Board—Frank Shakespeare, designated as chairman, Mark I. Goode and Ben J. Wattenberg—were confirmed by the Senate some weeks after the end of the fiscal year which this report is required by law to address. Although they have had an opportunity to review the text, the report primarily describes the Board's activities during the service of the two members who continue (Charles D. Ablard, who served as Acting Chairman from January 20, 1981, and Thomas Henry Quinn) and those whose terms have expired (John A. Gronouski, who served as Chairman till January 20, 1981, Frank Markoe, Jr. and Rita E. Hauser).

1. COMPARISON OF WESTERN EXTERNAL BROADCASTERS WEEKLY PROGRAM HOURS TO THE SOVIET UNION



COMPARISON OF WESTERN EXTERNAL BROADCASTERS WEEKLY PROGRAM HOURS TO EASTERN EUROPE



DATA ARE BASED ON CURRENT SCHEDULES AND PROGRAMMING STATISTICS FOR THREE QUARTERS OF FY 1981 FOR RFE/RL AND THE WORLD RADIO TV HANDBOOK 1981

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2 | The Programs

Radio Free Europe/Radio Liberty broadcasts 146 hours daily in six East European and 15 Soviet languages from 46 transmitters (one medium-wave, 45 short-wave) over some 80 frequencies. As Figure 1 shows, RFE broadcasts more hours than any other Western station to Poland, Romania, Hungary, Czechoslovakia and Bulgaria, RL more hours than any other Western broadcaster to the U.S.S.R.

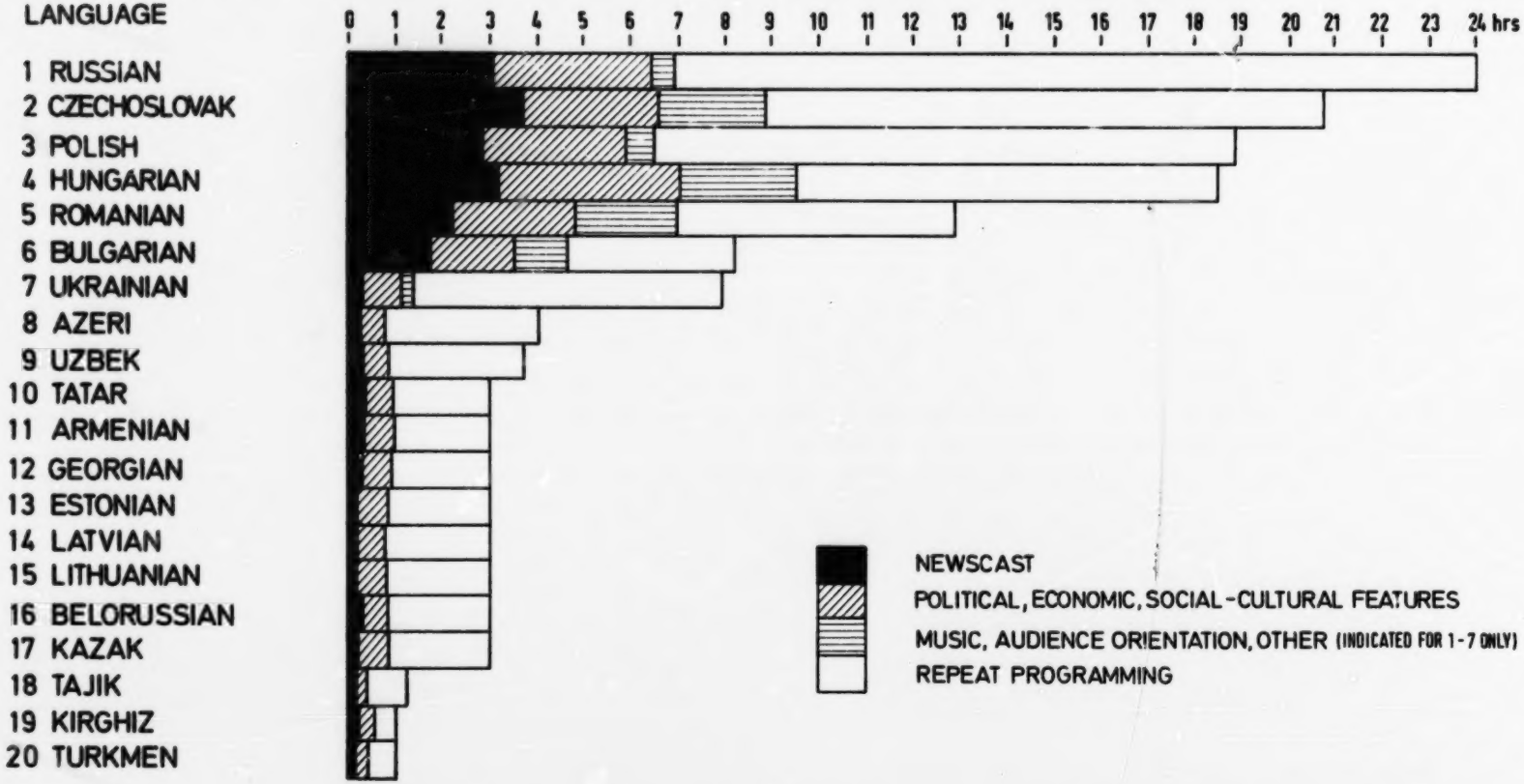
RFE/RL is on the air around the clock in Russian; all day and evening in Polish, Hungarian, Czech and Slovak; mornings and evenings in Romanian and Bulgarian. Largely in response to jamming, RFE/RL schedules include a high proportion of repeat broadcasts. The six major services produce some 43 of the 54 hours a day of first-run (non-repeat) programs. Programs in the 14 Soviet non-Russian nationality languages are on the air some 57 hours daily. The daily first-run programs range from 80 minutes in Ukrainian to 15 minutes in some Central Asian languages (see Figure 2).

Hourly ten-minute newscasts on the six major services constitute more than a third of all RFE/RL first-run programs. Moreover, as Figure 3 shows, these major services devote nearly half or more than half of their first-run program time to newscasts, news analyses, correspondent reports and reviews of the world press. Most other features, including commentaries, roundtable discussions and readings of important documents, are also topical. Several services produce significant historical, cultural and religious programs. Popular music shows have demonstrated particular appeal in non-jammed environments.

In accordance with the B.I.B. Mission Statement and the RFE/RL Program Policy Guidelines (Appendices 1 and 2), RFE/RL news is timely, objective and accurate—as, indeed, is the news on other Western stations. What distinguishes RFE/RL news reporting and analysis are depth, comprehensiveness and relevance to primary audience concerns.

RFE/RL information sources include five major international news agencies; leading West European as well as U.S. press, radio and TV coverage; RFE/RL field correspondents in Washington, New York, London, Paris, Bonn, Brussels and Rome; daylong monitoring of East European and Soviet radio stations, news agencies, newspapers and other periodicals, including independent and uncensored (*samizdat*) publications; and a unique corps of area research specialists who assist professional news editors in backgrounding and analyzing this torrent of information. (The published research reports are familiar to some 1,500 paid subscribers around the world.)

2. DAILY FIRST—RUN AND REPEAT PROGRAMS BY LANGUAGE



Based on Summer 1981 Schedules and Programming for Statistics for Three Quarters of FY 1981

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When all these resources are used regularly, as they have been during the prolonged Polish crisis, such coverage can hardly be matched for comprehensiveness. It was in this tradition that RFE's Polish service provided the most comprehensive coverage of last autumn's Solidarity congress in Gdansk—coverage which included hours of original tapes from the debates.

Diversity of news sources and expert area research enable RFE/RL to focus on the "local" and regional concerns of East European and Soviet listeners—as shown in Figure 4, which analyzes feature coverage by geographical areas. It is this focus which primarily distinguishes RFE/RL from the VOA, BBC and other stations which concentrate on developments in the originating countries. An analysis of VOA and RL Armenian-language programs during August 1980, performed for the Board by Edward Alexander, a linguistically-qualified retired Foreign Service officer, disclosed a remarkably low degree of duplication in either news or feature coverage; often, the two programs (scheduled in succeeding hours in prime time) tended to complement each other.

A key element in assuring that broadcasts comply with RFE/RL policy guidelines is the broadcast analysis department. This group of multilingual specialists reviews broadcast tapes and scripts; translates programs into English as needed; calls management's attention to possible errors or policy violations; and prepares daily program summaries and quarterly statistical analyses which are of considerble use to this Board, as well as radio management. Their role received special attention last year in the General Accounting Office report, "Improvements Made, Some Still Needed in Management of Radio Free Europe/Radio Liberty." The GAO reported that in 1979 the broadcast analysts had submitted 335 "written reservations" to management about particular programs (188 of them from the Russian service), and recommended that the functions and authority of the department be more clearly defined.

PROGRAM HIGHLIGHTS

RFE/RL programming during the year was marked less by innovations in program structure or format (the actual changes were relatively modest) than by intense, day-to-day efforts to keep listeners abreast of fast-moving events. Although the continuous crisis in and around Poland was clearly of keenest interest to most RFE/RL listeners much of the time, the year's important developments included protracted guerilla conflict in Afghanistan; war between Iran and Iraq; new Administrations in the United States and France; and assassins' bullets directed at Pope John Paul II, President Reagan and Egyptian President Sadat.

As all parties involved have acknowledged directly or indirectly, the role of RFE broadcasts in Poland has been historic. On the air from 5 a.m. to midnight, providing ten minutes of news every hour on the hour, devoting nearly half its feature programs to domestic Polish developments and additional time to Soviet, U.S. and other world reac-

3. FIRST—RUN BROADCAST HOURS PER DAY, FY 1981

SERVICE / CATEGORY	RUSSIAN		POLISH		ROMANIAN		CZECHOSLOVAK		HUNGARIAN		BULGARIAN		UKRAINIAN	
	hours	percent	hours	percent	hours	percent	hours	percent	hours	percent	hours	percent	hours	percent
NEWSCASTS	3:02	43.6	2:53	44.0	2:10	32.2	3:25	39.7	3:10	33.5	1:41	37.0	0:17	21.0
CORRESPONDENTS REPORTS	0:22	5.3	0:28	7.2	0:03	0.7	0:04	0.7	0:42	7.4	0:07	2.6	0:05	6.2
NEWS ANALYSES	0:07	1.7	0:27	6.9	0:54	13.4	0:53	10.2	1:01	10.8	0:15	5.5	0:01	1.2
PRESS REVIEWS	0:06	1.4	0:10	2.5	0:07	1.8	0:12	2.3	0:17	3.0	0:07	2.6	0:03	3.7
OTHER FEATURES	2:23	34.3	1:32	23.4	1:17	19.0	1:39	19.2	1:47	18.9	1:17	28.2	0:38	47.0
READINGS	0:24	5.8	0:26	6.6	0:06	1.5	0:08	1.6					0:03	3.7
MUSIC&VARIETY SHOWS	0:11	2.6	0:04	1.0	1:48	26.7	1:18	15.1	1:39	17.5	0:37	13.5	0:12	14.8
AUDIENCE ORIENTATION	0:15	3.6	0:09	2.3			0:18	3.5	0:06	1.0	0:14	5.1	0:01	1.2
OTHER *	0:07	1.7	0:24	6.1	0:19	4.7	0:40	7.7	0:45	7.9	0:15	5.5	0:01	1.2
TOTAL	6:57		6:33		6:44		8:37		9:27		4:33		1:21	

*INCLUDES SPORTSCASTS AND RELIGIOUS SERVICES

DATA ARE BASED ON PROGRAMMING STATISTICS FOR THREE QUARTERS OF FY 1981

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tions, RFE has served as a unique communications link—between different parts of Poland and between Poland and the outside world—and also as a medium for the airing of a variety of often contrasting views. From the start of the crisis, RFE commentaries emphasized that negotiation, rather than the use of force, is the way to solve social conflicts, such was the case also after the military crackdown.

Although RFE Polish broadcasts have been subject to frequent broadbrush attacks in Soviet and other hard-line media as "imperialist subversion," testimonials to its balanced approach have surfaced in unlikely places. The East German Communist party daily, *Neues Deutschland,* for example, quoted a Polish worker as saying that RFE "appraised developments in Poland more realistically than the Polish mass media."

The journalistic challenge was intensified by the remarkable transformation of Polish domestic media during the year under review. A more liberal spirit was evident in mass-circulation newspapers as well as in Solidarity, Catholic and other independent periodicals. Because many items of broad general interest often appeared in provincial or specialized Polish periodicals, RFE introduced new feature programs to summarize and assess this wealth of information. Because Polish television news remained under strictest official control, RFE also launched a "TV News Watch" series to review, critique and amplify this official version of events. When martial law cut off internal and external communications in Poland, RFE introduced a "bridge" program to enable Poles abroad to send personal messages to their families and friends in Poland.

Meeting this extraordinary challenge required additional resources. Such resources were made available when the new Administration recommended $3 million in supplemental appropriations for fiscal year 1981 and the Congress, after learning that most of that sum would have to be used for reconstructing bomb damage, actually appropriated $4 million. As a result, eight new staffers joined the Polish service, and two new analysts joined the Polish area research unit. Moreover, funds were obligated to replace the antiquated 150-kilowatt medium-wave transmitter at Holzkirchen, which broadcasts to Poland and Czechoslovakia. Following reports of new reception difficulties last summer, short-wave transmitter allocations were also shifted to provide greater power to the Polish broadcasts.

The Polish language broadcasts themselves, however, constituted only one side of RFE/RL coverage of the Polish developments. Almost as significant, perhaps, has been the day-in, day-out coverage by the Soviet and the other Eastern European language services. The impact of such "cross-reporting" was indicated in two special audience-research surveys in the course of the year. A survey of 846 Soviet citizens traveling to the West between September 1980 and August 1981 showed that nearly two-thirds had negative attitudes toward Polish developments; however, within the sample, Western radio listeners were less negative, while Radio Liberty listeners who had formed an opinion

4. GEOGRAPHIC FOCUS OF FEATURE—TYPE PROGRAMS, FY1981

Average Hours Per Day
(Excludes News, Audience Orientation, Music/Variety Shows)

SERVICE / CATEGORY	RUSSIAN		POLISH		ROMANIAN		CZECHOSLOVAK		HUNGARIAN		BULGARIAN		UKRAINIAN	
	hours	percent	hours	percent	hours	percent	hours	percent	hours	percent	hours	percent	hours	percent
NATIONAL AFFAIRS DOMESTIC	1:21	38.9	1:36	47.3	0:50	35.7	0:50	23.2	0:42	15.3	0:21	17.4	0:33	64.7
NATIONAL AFFAIRS EXTERNAL	0:17	8.2	0:08	3.9	0:02	1.6	0:03	1.5	0:19	6.9	0:06	4.9	0:05	9.8
TOTAL NATIONAL AFFAIRS	1:38	47.1	1:44	51.2	0:52	37.3	0:53	24.7	1:01	22.2	0:27	22.3	0:38	74.5
CROSS REPORTING	0:39	18.7	0:10	4.8	0:31	22.3	0:31	14.6	0:44	16.4	0:25	20.7	0:07	13.7
EAST - WEST RELATIONS	0:08	2.4	0:13	6.3	0:06	4.0	0:07	3.4	0:17	6.1	0:12	9.9	0:01	2.0
TOTAL COMM. AFFS. & EAST - WEST	2:42	68.2	2:08	62.3	1:29	63.6	1:31	42.7	2:04	44.7	1:04	52.9	0:46	90.2
US DOMESTIC	0:12	6.3	0:07	3.4	0:11	6.7	0:20	9.2	0:22	8.0	0:13	10.7	0:01	2.0
US FOREIGN POLICY	0:05	2.4	0:03	1.5	0:05	3.1	0:05	2.5	0:08	2.9	0:05	4.1	0:01	2.0
WESTERN EUROPE	0:18	8.7	0:27	13.0	0:13	7.9	0:34	15.6	0:52	18.9	0:10	8.3	0:01	2.0
OTHER *	0:30	14.4	0:41	19.8	0:31	18.7	1:05	30.0	1:10	25.5	0:29	24.0	0:02	3.8
TOTAL	3:25		3:27		2:45		3:36		4:35		2:01		0:51	

* INCLUDES INTERNATIONAL ORGANIZATIONS (UN), THE MIDDLE EAST, AFRICA, etc.
DATA ARE BASED ON PROGRAMMING STATISTICS FOR THREE QUARTERS OF FY 1981

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divided almost evenly between positive and negative attitudes. A late-1980 survey of 1,022 travelers from the five East European countries to which RFE broadcasts indicated that the broadcasts were a major source of information in all five countries on Polish developments. There were interesting differences among them, however. In Hungary and Romania, where there has been no jamming for nearly two decades, RFE was clearly out front as the initial source of listeners' information on Poland. In the jammed environments of Czechoslovakia and Bulgaria, word-of-mouth was more significant (as it was in Poland itself, for different reasons).

In addition to heavy cross-reporting on Poland, the Russian service and the nationality services reported steadily on the progress of the conflict in Afghanistan, in which 85,000 Soviet troops were involved. Scarcely a day passed when the Russian service—drawing on Asian and Western as well as Soviet media sources—did not broadcast at least one news analysis, press review or commentary on either the military or diplomatic aspects of the conflict. Among the broadcasts were several memorable commentaries on the situation of the Soviet soldiers in Afghanistan by Viktor Nekrasov, known in the U.S.S.R. for his prize-winning reportages on the Red Army in World War II. (A native of Kiev, Nekrasov appeared on the Ukrainian as well as the Russian service.)

Last August, the Russian service launched a revamped program schedule aimed partly at increasing topical news feature coverage on weekends. Two major prime-time programs, "Soviet Radio Journal" and "Events and People," were increased from five to six days a week. A new 50-minute Sunday roundup, "Through the Soviet Union," was also introduced, largely as a vehicle for increased programming in Russian about the problems and concerns of non-Russian peoples in the U.S.S.R. These and other changes were partly in response to earlier evaluations of the Russian service (discussed below).

Among the highlights of Russian programs during the year were exclusive interviews with such prominent Soviet personalities now in the West as the novelists Vasily Aksyonov and Vladimir Voinovich, musicians Mstislav Rostropovich and Maxim Shostakovich, historian Lev Kopelev and sculptor Ernst Neizvestny; on-the-spot coverage of the Karpov-Korchnoi world chess championship matches by Korchnoi's second, Grand Master Eduard Stein; and extended interviews with various American and European scholars on the U.S.S.R.

Along with other major RFE/RL language services, the Russian service also made use of in-depth interviews conducted by RFE's George Urban on Stalin and Stalinism with W. Averell Harriman and professors Adam Ulam, Leonard Shapiro and Robert C. Tucker; with former National Security Adviser Zbigniew Brzezinski on the foreign policy of the Carter Administration; and with Richard Pipes of the current NSC staff on the 25th anniversary of the Hungarian Revolution.

The Hungarian service developed its own extensive series of programs on the anniversary of the 1956 revolt, drawing on interviews with participants and eyewitnesses as well as memoirs and a variety of scholarly studies. The detailed RFE series was appropriate because in 1981, in contrast to earlier major anniversaries, the Budapest authorities and media attempted to discuss the "events" of 1956 openly rather than ignore them; the official treatment remained, however, one-sided.

The Soviet nationality services increased first-run airtime during the year by 11 percent, an increase attributable entirely to newscasts. Cross-reporting was more consistent, with the Ukrainian, Belorussian and Baltic language services most attentive to Polish developments and the Central Asian services reporting most frequently on the Afghanistan conflict. Human rights concerns remained strong, with prominent attention to the cases of the Ukrainians Mikola Rudenko, Vasyl Stus and Anatoly Marchenko, the Estonians Mart Niklus and Juri Kukk, and the U.S.-born Lithuanian Vytautas Skuodis. The Armenian service added a religious program on Sundays, while new Koran recitations were obtained by the Turkic-language services for Friday religious broadcasts. Area research on nationality developments was strengthened.

INDEPENDENT EVALUATIONS

Since 1977, the Board has supplemented its own oversight of RFE/RL programs, and periodic evaluations by U.S. missions in Eastern Europe and the U.S.S.R., through in-depth studies of individual language services, performed by distinguished academic consultants. RFE/RL management has also sought evaluations by outside scholars.

During the year under review, the Board commissioned in-depth evaluations of the Romanian, Hungarian and Bulgarian services. However, the evaluations actually completed during the year focused on Soviet-language services.

The first major evaluation of the RL Ukrainian service was conducted by the eminent Canadian political scientist and Slavist, Professor Bohdan Bociurkiw of Carleton University, whose overall impression was positive. He found the great majority of broadcasts satisfactory, some excellent, and rated the literary standards, language and pronunciations "comparable with and sometimes superior to the Soviet Ukrainian media." However, he found coverage of Soviet Ukrainian politics (apart from culture and dissent) the most neglected area, with poor coverage of Ukrainian topics outside the U.S.S.R. another weakpoint. Among his recommendations were that "better use should be made of RL research experts" and that "the circle of outside contributors should be expanded."

The first major evaluation of RL Azeri broadcasts (of considerable importance, given Soviet Azerbaijan's location on the sensitive Iranian border) by Dr. Eden Naby of Harvard was also mainly positive. Her general finding was that "the broadcasts appeared to be of even quality but with significant room for improvement in terms of sources and con-

tent." She found that the features about the U.S.S.R., and particularly about Azerbaijan were "very weak" and called for better information sources and greater analytic depth.

The Russian service, which is RFE/RL's highest priority, was again the focus of intense attention. The service has been the target of recurring criticism, much of it emanating from recent emigrants from the U.S.S.R. who have a keen appreciation of the role of Western broadcasts in modern Soviet society. Their views have sparked a lively and often polemical discussion in the emigre press. If this discussion has shown frequent misunderstanding about the goals and methods of broadcasting, and has at times been based on inaccurate information about the broadcasts themselves, it has helped to focus attention on what the listener actually hears on his radio and what its impact may be. It has also demonstrated the considerable complexity of trying to pattern broadcasts for a society riven by internal political, spiritual and ethnic dissensions.

Again in the past year, outside experts assisted the Board in its statutory responsibility for evaluation. Professor Maurice Friedberg, chairman of the Department of Slavic languages and literatures at the University of Illinois, and Professor Robert V. Daniels, the University of Vermont historian, submitted updates of the major evaluations of 1979 Russian programs which they had conducted for the Board. Each of these updates was based on two days of programs. At the initiative of RFE/RL management, a one-week sample was evaluated by the distinguished Sovietologist Peter Reddaway, of the London School of Economics and Political Science. In addition, the Board assigned its Planning and Research officer, James Critchlow, to investigate allegations that serious policy violations were occuring in certain RL Russian programs.

Each of the outside evaluators singled out individual programs for praise. All three found RL's performance to be generally satisfactory, but each called for improvement. No "major" violations were cited, but each evaluator identified infringements of individual policy guidelines. There were substantial areas of consensus. All three singled out the newscasts for praise (although Reddaway recommended addition of a section for "internal" Soviet items).

However, all three outside evaluators agreed on the need to improve the professional quality and raise the intellectual level of the Russian programs. While praising news coverage, they called for more thorough analysis and for greater depth and backgrounding in other program areas. In particular, they urged better use of RL's own area research (which they praised); greater use of books and periodicals (both Soviet publications and Western scholarship on the Soviet Union); "less in-house material" and greater use of outside specialists.

Each of the three evaluators also urged elimination of a "hostile tone" persisting in some broadcasts, which might alienate portions of the audience. In reviewing certain "new historical and ideological programming,"

Professor Daniels observed that "unfortunately the treatment of this material tends to be tendentious and even overtly monarchist, thereby playing into the stereotype of Soviet denunciations of RL."

The individual evaluators also each had various other critical remarks, concerning such matters as format, program selection and linguistic usage (according to Professor Friedberg, for example, "sloppy, careless and occasionally ungrammatical Russian is by no means uncommon"). Comments on music and entertainment programs ranged from skepticism to outright disapproval.

In November 1980–January 1981, in response to various allegations emanating mainly from RFE/RL employees, the Board assigned Planning and Research Officer Critchlow to investigate Russian Service broadcasts. His purpose was not to make a general assessment of quality but to determine whether serious policy violations were occuring. His report, based partly on review of scripts and tapes and partly on listening to actual broadcasts, documented a small but alarming incidence of "serious policy violations, including anti-democratic, anti-Western, anti-Polish, and anti-Catholic references, as well as material potentially offensive to non-Russian nationalities of the Soviet Union." One program devoted to Konstantin Pobedonostsev (1827–1907), notorious in Russian history as an anti-Semite and foe of democracy, praised him as a "great conservative thinker." The violations were essentially limited to certain recurring historical and religious programs. In connection with these violations, Critchlow's report noted that, except for one ten-month period, Radio Liberty had been without a director since May 1977; nor had provision been made for a deputy director.

At its regular meeting on January 31, 1981, the Board considered Critchlow's report and adopted a resolution instructing management to tighten policy controls on religious and historical programs in the Russian Service. For some ten months thereafter, there was no evidence of recurrence of serious policy violations; late in 1981, however, several dubious programs were noted (including another attack on the Vatican).

In the course of his investigation, Critchlow also discovered a number of anomalies in transmitter operation. In a separate memorandum last February, he provided evidence (substantiated by logs and tape recordings) of broadcasting in the wrong language, interruption of programs during transmitter switching, and switching languages in the middle of a program. The Board does not consider management's explanation of these matters satisfactory.

3 | The Audience

When the civil rights leader Bayard Rustin visited Poland last spring, he was struck by the contribution of RFE broadcasts to the high levels of political awareness he encountered wherever he went. At a large assembly of workers in Kielce, in southeastern Poland, "when I asked who listens to Radio Free Europe, there was loud laughter and a forest of hands. I think every hand went up."

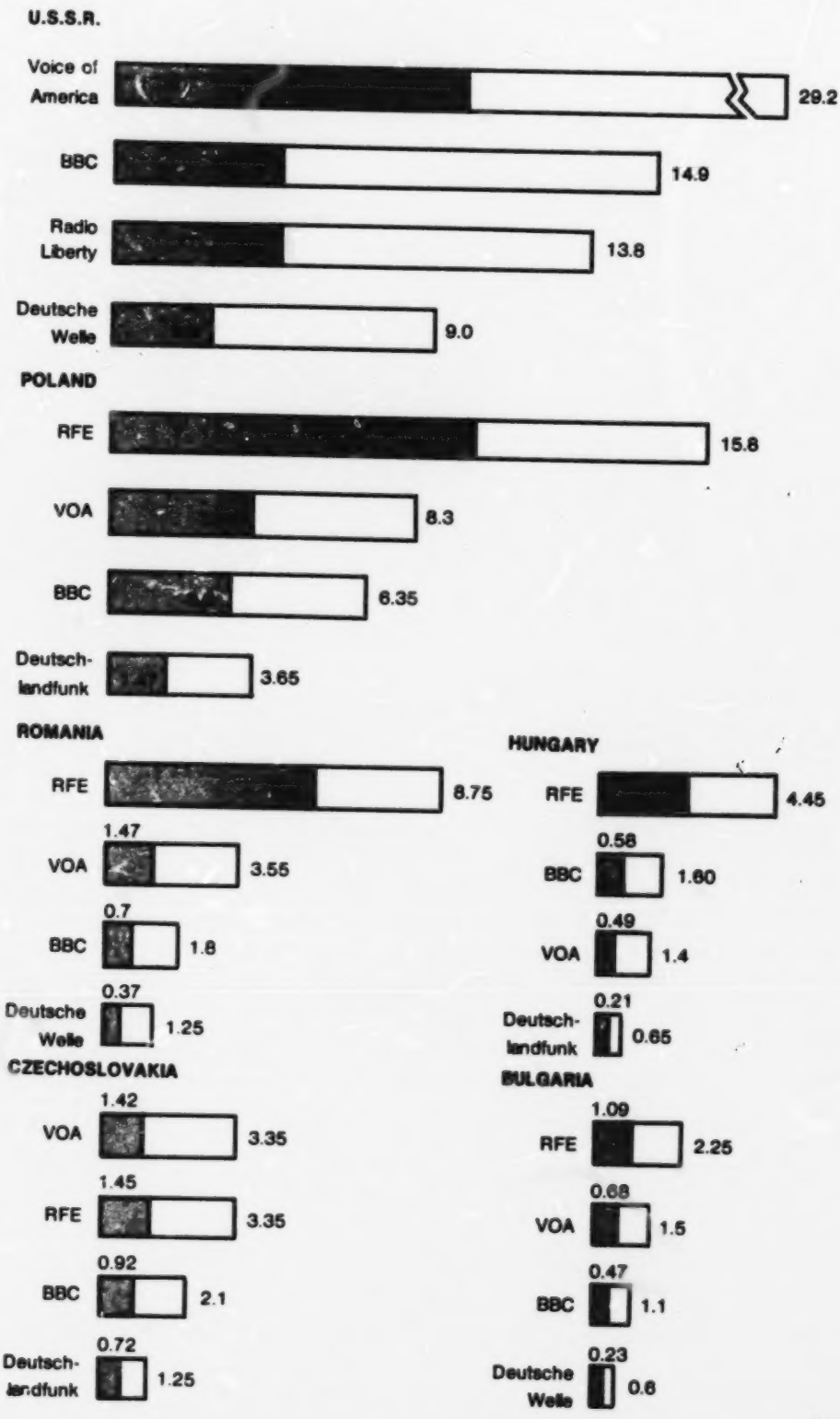
Over the years, the Board has learned of innumerable such episodes, testifying directly to the impact of RFE/RL broadcasts in Eastern Europe and the Soviet Union. Most often, they involve ordinary citizens. Sometimes, more famous persons are involved—such as Nobel Prize laureate Andrei Sakharov's listening to his wife accept the prize on a Radio Liberty broadcast, or former Polish party chief Edward Gierek's complaints at a diplomatic reception about the previous evening's RFE commentaries.

Encouraging as such individual testimony may be, more scientific audience research has long been considered necessary to help assess the broadcasts' impact. Western survey research methods are used. Since it is impossible to poll within Eastern Europe and the U.S.S.R., various public-opinion institutes in Western Europe interview travelers from the audience countries. The aim is a sample large and diverse enough to yield audience estimates which can be considered reliable within stated margins of error. The results of such interviews on a variety of questions are often cross-checked with published results of comparable surveys within Eastern Europe and the U.S.S.R.

The raw polling results have to be adjusted for such inherent limitations as the disproportionately high number of middleaged, urban, educated males among the East European and Soviet travelers. The separate RFE and RL audience research units employ distinctive methodologies to do so. The RFE unit, with access to larger and more diverse groups of travelers from Eastern Europe, uses quota sampling procedures which are checked by a "comparative and continual sampling" method developed with the aid of the late Professor Hadley Cantril of Princeton University. The RL unit, with fewer and less representative travelers from the U.S.S.R., uses computer simulation techniques developed at the Massachusetts Institute of Technology under Professor Ithiel de Sola Pool. Whereas the RFE sample for some years has been large enough to permit annual audience estimates, until recently the RL sample would only permit such estimates every two years. The Board has consistently supported increased funding to enable a large enough sample to permit annual estimates, and some progress has been

5. LISTENING TO FOUR LEADING WESTERN BROADCASTERS TO THE SOVIET UNION AND EASTERN EUROPE, 1980/81

Daily (Black) and cumulative weekly listener estimates, in millions



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made; the two most recent estimates are based on interviews over 18-month periods.

In the broadest orders of magnitude, certain basic results of these surveys have remained relatively constant. Proportionally more people listen more often to foreign broadcasts in Poland, Hungary and Romania than in the Soviet Union. The Voice of America has long been the most widely heard foreign radio in the U.S.S.R., with RFE normally out front in the East European countries and BBC a strong second, or close to it, in both areas. Listening to foreign broadcasts increases in periods of international tension; conversely, the onset or resumption of jamming cuts down listenership, particularly in metropolitan areas.

Figure 5 presents the latest audience research estimates for the four major international broadcasters to the area. The estimates for the Soviet Union are based on 2,640 interviews conducted between January 1980 and June 1981. The results have been compared with two preceding sets of estimates (including interviews going back to July 1979), with an eye to the effects of the Soviet resumption in August 1980 of jamming VOA, BBC and Deutsche Welle. For the Voice of America as well as RL, the estimates include listeners to both Russian and non-Russian language broadcasts.

The estimates for the five East European countries are based on 3,729 interviews carried out between May and October 1981. This is less than the desired sample of 7,000, due for completion in 1982, and the raw data have not been weighted. However, these early estimates have been compared with the two preceding full surveys (based on interviews going back to the spring of 1978).

With all due allowances for the inherent limitations of the methodology, the results are impressive. They indicate that some 15–20 million people listen to RFE/RL broadcasts on an average day, and perhaps 40–50 million in the course of a typical week. Considering that the annual cost of the enterprise has yet to exceed $100 million, the cost per listener of this most substantial effort to maintain an informed public opinion in Eastern Europe and the U.S.S.R. strikes us as a remarkable bargain for the people of the United States.

Close examination of the most recent detailed estimates for the Soviet Union suggests both a major reason for the intensified jamming since August 1980 and fairly clear indications of its subsequent impact. Both listenership and listening frequency for VOA, BBC and RL were all on the rise in 1979 and during the first half of 1980; the rise in RL listenership may have been of an order of 20 per cent. Between July 1980 and June 1981, however, there were no further gains in overall listenership. Moreover, listening frequency declined sharply (for both VOA and RL, from an average of 7.8 times a month to 3.5 times a month). The average span of listening, which appears to have increased somewhat immediately after the onset of intensified jamming, also appeared to be declining by the first half of 1981.

Overall, Radio Liberty listeners constitute about 7 per cent of the Soviet adult population. The proportion is significantly higher among the under-30 age group and twice as high among those with secondary education. Although roughly half of RL listeners also tune in VOA, about a third of RL listeners do not hear any other Western station; that proportion is higher in non-Russian areas of the U.S.S.R. Roughly three-fourths of RL listeners are listeners to the Russian service, about two-fifths to the various nationality services (which are particularly preferred in the Trans-Caucasian republics). Dual-language listening is common in the Ukraine and Belorussia.

In Eastern Europe, previous surveys suggested that roughly half the adult population was listening to RFE in the countries with little or no jamming (Poland, Hungary, Romania), and about a third of the adult population in countries with heavy jamming (Czechoslovakia, Bulgaria). The mid-1981 East European estimates appeared to confirm trends suggested in spot surveys in the fall of 1980: namely, a sharp rise in RFE listenership in Poland and substantial increases also in Hungary and Romania. Listenership in Bulgaria seems to have remained about the same, with an apparent decline in Czechoslovakia (where local Austrian and West German television and medium-wave radio offer many in the border areas an accessible alternative to jammed short-wave broadcasts).

With regard to Poland, there can be little doubt of a strong upswing in RFE listenership and listening frequency during 1979, 1980 and at least part of 1981. However, the incomplete results of the current survey do not permit even tentative conclusions as to the possible effects of the intensified jamming in the latter part of 1981.

TRANSMISSION PROSPECTS

When the B.I.B. was constituted in 1974, RFE and RL had separate transmitter networks comprising 45 short-wave transmitters with a total power of 3,775 kilowatts. However, only 14 of the transmitters were rated at 100 kilowatts or more—the minimum contemporary standard for effective transmission. Between 1975 and 1977, twelve new 100-kw transmitters were installed at Biblis and Lampertheim, West Germany. In 1981, despite various difficulties, eleven new 250-kws were installed—four at Holzkirchen, near Munich, and seven at Gloria, in Portugal. The combined network now comprises 20 transmitters of 250-kw power, and 25 transmitters (or pairs of transmitters) rated at 100 kws. Thanks to new license agreements in Portugal (1977) and Germany (1978), the transmitters at these locations may be used interchangeably for broadcasts to Eastern Europe or the U.S.S.R. A similar new agreement remains to be concluded for the six transmitters at Playa de Pals in Spain.

Well before the newest transmitters were installed, a B.I.B. staff study in 1979 addressed future modernization needs. The study, summarized in our Sixth Annual Report, called initially for replacement of the 150-kw medium-wave transmitter at Holzkirchen—this was funded in FY 1981—

and replacement of eight old 50-kw's by new 100-kw transmitters at Biblis and Lampertheim, for which funding has been sought in FY 1983. Other replacement requirements at Gloria and, hopefully, Pals can be addressed in subsequent years.

The 1979 study acknowledged that, while the RFE/RL network would be adequate by the end of 1981 to reach all audiences in Eastern Europe and the European U.S.S.R. (including, marginally, the Ural Mountain area), a fourth of the Soviet population would lie beyond the effective range of West European transmitters. In extending RFE/RL coverage, top priority was accorded to reaching audiences in Soviet Central Asia and Kazakhstan (with 15.3 percent of the Soviet population). The crisis in Iran and war in Afghanistan subsequently underscored the importance of such an effort, which would require a new transmitter site or sites located in the Middle East. With the assistance of the Department of State, the Board has been engaged in exploratory discussions with interested governments in the area for the past two years. We hope to report definite progress in the not too distant future.

Looking toward the next decade, B.I.B. and RFE/RL technical personnel, in cooperation with the VOA, have been holding discussions with the Space Applications Board of the National Research Council on the prospects and problems involved in possible use of direct broadcast satellites (DBS) for U.S. international broadcasts. On the initiative of the Board, the Administration has formed a multi-agency study group—chaired by the Under Secretary of State for Security Assistance, Science and Technology—to examine the technical, financial, legal and international regulatory issues involved in a potential DBS system capable of broadcasting internationally. The group is expected to complete its inquiries early in 1982. The Board has also been active in U.S. Government preparations for the 1983 high-frequency broadcast conference of the International Telecommunication Union.

4 | Finances and Organization

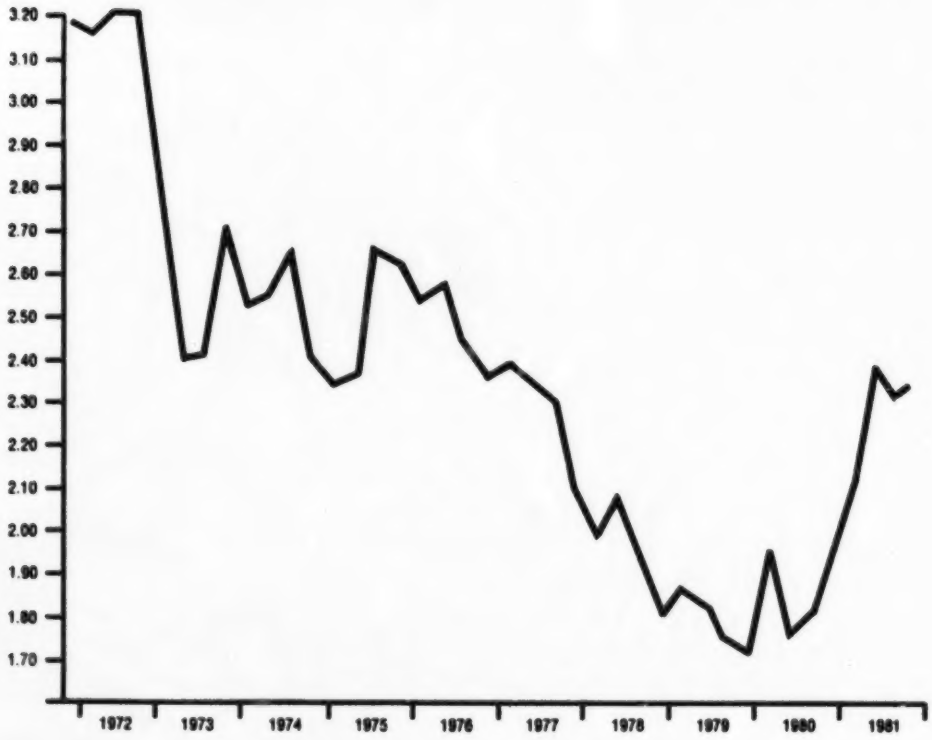
At first glance, funding RFE/RL would appear to be a simple matter. Personnel compensation accounts for roughly four-fifths of operating expenditures; electric power, license fees and other transmission costs account for nearly half the remainder. In the era of fixed exchange rates and minimal inflation, the budget process for RFE and RL was remarkably stable. Between July 1, 1958 and June 30, 1968, the annual level of Federal grants to the two radio organizations rose less than 5 per cent a year, from $20.7 million to $29.6 million. Most of the increase reflected efforts to strengthen Radio Liberty; its funding nearly doubled over the decade, whereas that of RFE increased from $14.4 million in fiscal year 1959 to only $17.3 million in FY 1968.

Since the August 1971 dollar devaluation, however, the year-to-year task of funding RFE/RL has often resembled a ride on a roller coaster. In the three fiscal years of State Department oversight, before the B.I.B. was constituted, the radios' funding level rose from $32 million to $49.5 million, even though staff was being reduced by nearly 400 positions. In the B.I.B.'s experience, there have been years, notably FY 1976, in which dollar costs rose sharply even while very substantial economies were necessary; in FY 1981, on the other hand, RFE/RL expended several million dollars *less* than in the preceding year, even while reconstructing bomb damage, ordering a new medium-wave transmitter and making other capital and program improvements.

The key to this apparent paradox, of course, has been the unique sensitivity of RFE/RL to fluctuations in European currency values. In recent years, three-fourths or more of RFE/RL expenditures have been in West German marks—reflecting the fact that program headquarters, three transmitter sites, the monitoring station, and more than two-thirds of total staff (1,135 out of 1,666 at last count) are located in the Federal Republic. Another 10 per cent of RFE/RL expenditures has been in Portuguese escudos and Spanish pesetas, originating in the two largest transmitter sites and their more than 400 staffers. Only 87 employees are located in the United States.

In Portugal and Spain, currency gains and losses have at times offset each other and/or eased the impact of high local inflation rates. It has been quite another matter in West Germany. The ups and downs of the mark/dollar exchange rate have had demonstrably greater impact than whatever differences there may have been between American and German inflation rates. Whereas until 1968 one U.S. dollar was valued at four West German marks, over the last decade (as Figure 6 illus-

6. MARK/DOLLAR EXCHANGE RATES OVER A DECADE



trates) the exchange rate has fluctuated from 3.20 down to 1.72 at the end of 1979, then up and down again. The impact of these fluctuations is quite dramatic. In the range of 2.20 to 2.25 marks to the dollar, which was the range at the turn of the fiscal year, each pfennig change was equivalent to a difference of $275,000 a year for RFE/RL.

Since 1976, RFE/RL has been protected against currency-caused shortfalls or windfalls through a statutorily-established reserve fund which is administered under regulations adopted jointly by the B.I.B. and the Office of Management and Budget. After each quarter of the fiscal year, foreign currency gains and losses are reported through B.I.B. to OMB for certification by the Director. Appropriate adjustments are then made in subsequent apportionments or, if necessary, through supplemental appropriations. At the start of the current fiscal year, some $3,395,000 remained available in the reserve fund to cover possible losses. (The budgetary exchange rate for this year has been set at 2.25 marks to the dollar.)

Significant economies have been achieved in overseas operations over the years. Consolidation of the two formerly separate radio organizations in 1974–77 produced annual savings estimated at some $15 million. B.I.B. purchase of transmitters and related equipment has reduced their cost by some 20 per cent, through elimination of foreign customs

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duties and value-added taxes. Last year, the Board began purchasing West German marks for RFE/RL through the worldwide network of the State Department's Regional Administrative Management Center in Paris, producing substantial savings; the system will be extended to other currencies this year. The Board has also supported management efforts to extend text and data processing within the organization.

RFE/RL by its very nature is a labor-intensive enterprise, with some 45 per cent of its staff engaged in news, area research and programming, and more than 40 per cent involved in transmission and other technical operations. (Figure 7 provides a breakdown by departments.) Personnel costs are largely determined by collective bargaining; the results have reflected local customs and local inflation rates as well as currency fluctuations. In its 1976 and 1981 reports on RFE/RL management, the General Accounting Office offered a number of valuable suggestions for reforming salary scales and various fringe benefits, but implementation of these suggestions has been a slow process.

Since 1978, this Board has been urging a strengthening of linguistically-qualified American program management, Soviet area research, broadcast analysis, news-gathering and news-feature capability. Progress toward such strengthening, as well as toward rejuvenation of language staff, has been limited, largely through lack of funds. We hope that such progress may now be accelerated.

RFE/RL financial management during the year under review was complicated by the effects of the February 21 bombing, the need for enhanced security precautions, and difficulties in completion of the transmitter modernization projects. However, Congressional promptness in enacting supplemental appropriations and the rise in the dollar's value during much of the fiscal year eased cash-flow problems. The annual audit of RFE/RL finances, performed for the Board by the independent public accounting firm of Arthur Andersen & Co., is reproduced as Appendix 3 of this report.

INSTITUTIONAL RELATIONSHIPS

The Board's Third, Fourth, Sixth and Seventh Annual Reports discussed developing stages in what has been a complex and difficult institutional relationship between the B.I.B. and the management and private directors of RFE/RL, Inc. Under two Chairmen, David M. Abshire and John A. Gronouski, and two acting Chairmen, Thomas H. Quinn and Charles D. Ablard, the B.I.B. sought to clarify and improve the relationship—at first through informal agreements, then through amendment of the corporate bylaws, later through the adoption of formal regulations which were promulgated on February 21, 1980. These efforts have failed to resolve basic questions of authority and responsibility.

Last June, the Senate adopted an amendment to the Foreign Relations Authorization Act, introduced by Senator Claiborne Pell (D.–R.I.) and co-sponsored by Foreign Relations Committee Chairman Charles

Percy (R.–Ill.), which would fundamentally alter the management structure. The amendment would expand the B.I.B. from five to nine members, appointed by the President by and with the advice and consent of the Senate, for staggered three-year terms (the terms of one-third of the members would expire each year); no more than five members could be of a single political party. The members of the B.I.B. would serve concurrently as the sole directors of RFE/RL, Inc., with clear authority to make all major policy determinations and to appoint managerial officers. The Senate amendment specifies that it "shall not be construed to make RFE/RL, Inc., a Federal agency or instrumentality." The Senate Foreign Relations Committee report accompanying the amendment states that the Committee "expects that the B.I.B. will continue to respect the journalistic integrity of RFE/RL guaranteed in its regulations, statement of mission and program policy guidelines."

Although a majority of the RFE/RL private directors would prefer consideration of alternate forms of management structure, all present and former members of the B.I.B.—Republicans and Democrats, conservatives and liberals, appointees of Presidents Nixon, Ford, Carter and Reagan—have expressed their support for enactment of the Senate amendment, urging that the House concur at the legislative conference on the authorization bill. And, although the Senate initiative was undertaken independently of any consultation with the Administration, it coincided with the Administration's own conclusions, which were strongly expressed in a letter to the appropriate Congressional leaders. Mr. Shakespeare, the designated new Chairman of the B.I.B., after his own independent review of the RFE/RL structure, supported the Senate amendment at his confirmation hearings.

The House-Senate conference had not yet taken place as this report went to press. The Board expects, however, that the Congress will resolve the issue expeditiously.

7. REGULAR FULL TIME & PART TIME EMPLOYEES, RFE/RL, INC.

	Sept. 30, 1980	Sept. 30, 1981
General management	*29*	*29*
President & Exec. Vice-Pres. (Munich)	7	6
Vice Pres. & Comptroller (Washington)	17	18
Public affairs	5	5
Central news division	*82*	*85*
Central news, Munich	56	59
European news bureaus	13	14
Washington news bureau (incl. 1 in N.Y.)	13	12
RFE programming	*383*	*389*
Director's office	4	4
Research and analysis	59	60
Polish service	75	81
Romanian service	47	49
Czechoslovak service	81	80
Hungarian service	76	75
Bulgarian service	41	40
RL programming	*256*	*253*
Director's office & nationalities management	15	16
Research and samizdat	34	38
Russian service	113	105
Ukrainian, Byelorussian services	22	21
Baltic services	21	21
Armenian, Georgian services	13	14
Turkic, Tajik services	38	38
Program support services	*96*	*94*
Broadcast analysis	33	33
Audience research	18	17
Library and script library	18	17
New York program center	27	27
Engineering and technical operations	*686*	*690*
Munich engineering staff	144	144
West German transmitter & receiving sites	132	134
Portugal	271	273
Spain	139	139
Administration division	*132*	*126*
Director's office	6	6
Financial management & info systems	32	31
Personnel & protective services	28	26
General services & purchasing	66	63
Total	*1,664*	*1,666*

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Appendices

1. THE MISSION OF RADIO FREE EUROPE AND RADIO LIBERTY BROADCASTS

The mission of Radio Free Europe and Radio Liberty is to encourage a constructive dialog with the peoples of Eastern Europe and the Soviet Union by enhancing their knowledge of developments in the world at large and in their own countries. In openly communicating information and ideas to peoples restricted by censorship, RFE and RL help to maintain an informed public opinion in the U.S.S.R. and Eastern Europe.

As media of news and news analysis, RFE and RL observe high professional standards of accuracy, objectivity, timeliness and relevance to the interests of their audiences. RFE and RL are required by law to operate in a manner not inconsistent with the broad foreign policy objectives of the United States. Traditionally the United States has used its influence to promote basic principles of human dignity, individual freedom and the rule of law. The United States considers that the open communication of information and ideas can assist an orderly process of evolution in the U.S.S.R. and Eastern Europe toward domestic and international policies more conducive to international understanding.

While the Voice of America concentrates on presenting U.S. Government policy and projecting American society and institutions, RFE and RL reflect and project a diverse international awareness. Under American management and the statutory oversight of the Presidentially-appointed Board for International Broadcasting, the RFE/RL staff is composed of citizens of the United States, citizens of friendly European and other nations, and former citizens of the U.S.S.R. and Eastern European nations. Together, they seek to create neither "American radio," in the narrow national sense, nor "exile radio," in the sense of organized political opposition, but international radio. It is international in the breadth of its coverage, its freedom from national or sectarian bias, its dedication to the open communication of accurate information and a broad range of democratic ideas. At the same time, it is "local" in the sense that broadcast content is focused on the interests of the audiences.

In pursuit of this mission, RFE/RL provide listeners, as accurately and quickly as possible, with knowledge of and balanced perspective on both the outside world and developments within their own societies. Specifically, RFE/RL programs:

(1) Report basic world news;

(2) Provide comprehensive news and careful analysis of international affairs involving and affecting the peoples of the U.S.S.R. and Eastern Europe, including all significant efforts to reduce East-West tensions and promote security and cooperation in Europe;

(3) Communicate a broad range of world press reportage, analysis and opinion—as well as analyses based on their own expert research—on developments within the listeners' own countries;

(4) Inform their specific audiences, through news and analysis based on expert research, of the particularities which distinguish various Communist-ruled societies and Communist parties from one another;

(5) Broadcast and critically analyze documents and works of political significance and/or cultural merit which have been produced by citizens of the U.S.S.R. or the Eastern European nations but have been denied official publication by censorship;

(6) Provide timely, comprehensive coverage of political, economic, social and cultural developments in the democratic societies of Europe as well as of North America.

In broadcasting about Eastern Europe and the U.S.S.R., RFE/RL programs seek to make available to their listeners a more balanced perspective on events and trends than any single, official version can provide. RFE and RL do not identify themselves with any opposition group or groups, political party or organization, located inside or

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outside the broadcast area. They espouse no single specific political, economic or religious creed. They are, however, committed to respect for human rights and to the principles of democracy, including freedom of opinion, the rule of law, and non-discrimination on the basis of race, sex, religion, or nationality. They are likewise committed to the free movement of people, goods and ideas between nations, and to the peaceful negotiation of international conflicts. By maintaining these values and observing high standards of accuracy, objectivity and timeliness, RFE and RL programs should seek to earn the respect, if not necessarily the agreement, of present and potential listeners from all social and political groups.

In broadcasting about the United States and other free societies, RFE and RL should objectively report problems and setbacks as well as achievements, and maintain the critical distance from officials and official policies that is characteristic of responsible, independent international news media. They can do so by carefully reporting the open political, social and constitutional process through which problems are identified and approached, and proposed solutions are formulated, criticized, debated and reviewed in democratic societies. The view of the United States which RFE/RL listeners are enabled to form should be accurate and comprehensive, free of prejudice or exaggerated expectations.

Detailed program-policy guidelines, including appropriate restraints, should assure the fulfillment of these objectives. Radio management is fully responsible for the day-to-day supervision of program content in accordance with such guidelines. The Board for International Broadcasting is obliged by law to maintain a continuous review of the quality and effectiveness of RFE/RL broadcasts in order to fulfill its responsibility under the law that RFE/RL operate in a manner not inconsistent with broad U.S. foreign policy objectives while maintaining professional independence and integrity. The Department of State assists the Board in carrying out its function by providing it with information regarding the foreign policy of the United States.

In broadcasting by shortwave to nations and regions with an aggregate population of more than 335 million people, RFE/RL observe demographic, historical and political priorities. At this time, an examination of those priorities, by language of broadcast, suggests the following broad groupings and relative degrees of importance:

I—Russian.

II—Polish, Romanian, Czech/Slovak, Hungarian, Ukrainian, Bulgarian.

III—Uzbek, Armenian, Georgian, Azeri, Belorussian, Tatar-Bashkir, Kazak, Lithuanian, Latvian, Estonian.

IV—Tajik, Turkmen, Kirghiz.

Insofar as practical, RFE/RL should avoid broadcasting in languages of III and IV simultaneously with the Voice of America.

Within this framework of priorities—which will be subject to continuing review—RFE/RL should concentrate its technical resources and personnel to fulfill its distinctive mission most effectively as part of a comprehensive U.S. international broadcast policy.

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2. RFE/RL PROGRAM POLICY GUIDELINES

I. Basic Framework

Radio Free Europe/Radio Liberty is an independent radio service to Eastern Europe and the Soviet Union authorized by the Congress of the United States and conducted under private American management as a team effort with men and women from East Europe and the Soviet Union, as well as West Europeans and others. RFE broadcasts to Bulgaria, Czechoslovakia, Hungary, Poland and Romania; RL broadcasts to the U.S.S.R. and the Baltic States.

The purposes of RFE/RL are set forth in the Board for International Broadcasting Act of 1973, in which the U.S. Congress finds and declares:

> "That it is the policy of the United States to promote the right of freedom of opinion and expression, including the freedom 'to seek, receive, and impart information and ideas through any media and regardless of frontiers', in accordance with article 19 of the Universal Declaration of Human Rights;
>
> "That open communication of information and ideas among the peoples of the world contributes to international peace and stability, and that the promotion of such communication is in the interest of the United States;
>
> "That Radio Free Europe and Radio Liberty have demonstrated their effectiveness in furthering the open communication of information and ideas in Eastern Europe and the USSR;
>
> "That the continuation of Radio Free Europe and Radio Liberty as independent broadcast media, operating in a manner not inconsistent with the broad foreign policy objectives of the United States and in accordance with high professional standards, is in the national interest."

In order "to encourage a constructive dialog with the peoples of the Union of Soviet Socialist Republics and Eastern Europe," the Act established the Board for International Broadcasting, which is authorized "to review and evaluate the mission and operation of RFE/RL, and to assess the quality, effectiveness, and professional integrity of their broadcasting. . . ." In conformity with the Act, the Board issued on September 27, 1976, a statement on "The Mission of Radio Free Europe and Radio Liberty Broadcasts" defining the objectives and priorities of RFE/RL programming.

These guidelines are designed to assure the fulfillment of those objectives, and the Board considers Radio management fully responsible for the day-to-day supervision of program content in accordance with these guidelines.

The essence of RFE/RL's program policy continues to be the practice of independent, professionally competent, and responsible broadcast journalism. RFE and RL provide uncensored news and information on domestic and relevant world affairs and convey a broad spectrum of ideas to audiences whose governments attempt to exercise a monopoly of information.

RFE and RL espouse no single specific political, economic or religious creed. They have no relationship to any political party or exile organization; nor do they identify themselves with any opposition group or groups, political party or organization, located inside or outside the broadcast area. RFE and RL are, however, committed to respect for human rights and to the principles of democracy, including freedom of opinion, the rule of law, and nondiscrimination on the basis of race, religion, sex, class, or nationality. They are nonsectarian, defending freedom of religious faith and observance for all creeds. They are committed to the free movement of people and ideas among nations; to cultural, scientific, and economic exchange; and to the peaceful negotiation of international conflicts. They subscribe to the principle of equal rights and self-determination of peoples as expressed in the United Nations Charter and most recently affirmed by the Final Act of the Conference on European Security and Cooperation, which states that:

"By virtue of the principle of equal rights and self-determination of peoples, all

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peoples always have the right, in full freedom, to determine, when and as they wish, their internal and external political status, without external interference, and to pursue as they wish, their political, economic, social and cultural development."

In contrast to the Voice of America, whose primary mission is to present U.S. policy and to project U.S. society and institutions, RFE and RL seek to identify with the interests of their listeners, devoting particular attention to developments in and directly affecting the peoples of Eastern Europe and the U.S.S.R. In focusing on the special concerns of their audiences, they perform some of the functions of a "home service" as well as a surrogate free press.

II. Editorial Policy

a. *Assumptions and Techniques.*—In broadcasting to peoples lacking free access to information, RFE and RL proceed from the assumption that informed societies can make more responsible judgments about their own and world affairs, while misinformed societies may more easily be manipulated in directions threatening peace. RFE and RL further assume that the growth of an informed public opinion contributes toward moderating repressive or adventurous official policies. As information media and as a forum for many-sided analysis of public affairs, RFE and RL seek to encourage among their listeners a more balanced perspective on events and trends than any single official version can provide. They seek to draw their audiences into the climate of a more open world, in which their own problems as well as those common to many nations are discussed freely, objectively and without ideological or other prejudice.

The principal criterion for selection of broadcast materials is the relevance of the information to the needs and interests of the audience—i.e., whether such news, analysis, or other information will contribute to the listener's knowledge of significant developments and trends in and affecting his own area.

Accuracy and objectivity are essential to maintain listener respect. Inaccurate, biased or carelessly prepared material damages the reputation of RFE/RL. Objectivity requires that information neither be omitted nor slighted in broadcasting because it may seem favorable to the East or unfavorable to the West. Nor should information be broadcast only because it may seem unfavorable to the East or favorable to the West. The ability of RFE/RL to deliver information in balanced as well as timely fashion encourages domestic media to report faster, more objectively, and in a more comprehensive context.

RFE and RL seek to approach both the world scene and internal developments from the point of view of thoughtful individuals in the audience who wish to know, understand and form independent personal judgments on what is going on inside and outside their own countries. This approach requires constant attention to the most up-to-date knowledge of audience concerns, as well as awareness of the gaps and distortions in local media. The use of a variety of program formats—news, interpretive analysis, surveys of world press comments, roundtable discussions, the verbatim reading of important documents—broadens the listeners' perspective.

The objective of "filling the information gap" should not be understood in an exclusively political or narrowly local sense. The task of RFE/RL includes a comprehensive coverage of the many issues of concern to all humanity, such as technological and scientific advance, population growth, environmental pollution, urbanization, the distribution and depletion of world resources, and the changing patterns of family life. With their full access to Western information and thought on these subjects, as well as their knowledge of conditions in the audience area, RFE and RL have a unique opportunity to provide a continuing flow of information, and a broad spectrum of analysis and ideas, on such complex issues of common concern.

In reporting on open societies, RFE and RL programs should reflect their problems and setbacks as well as achievements. It is particularly important to reflect the open political, economic and social processes through which problems are identified and

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approached, and through which proposed solutions are formulated, criticized, debated and reviewed—by executive, legislative, and judicial branches of government at national, provincial, and local levels; by the independent media of public opinion; and by private individuals, civic groups and political parties. Discussion of such economic issues as planning, management, agricultural productivity and foreign trade is most effectively related to the welfare of individual citizens and consumers. Comparisons between one or another society and the listener's own area may be drawn when required for context or perspective. However, invidious comparisons or criticism for criticism's sake should be avoided, and judgments should not be imposed on listeners.

Programming on the domestic affairs of the broadcast countries concentrates on keeping listeners informed of important developments in their country which are unpublicized, distorted or inadequately discussed by official media. Such information includes, when appropriate, the views of citizens who, denied access to the public media of their country, seek expression through foreign correspondents or by means of uncensored (samizdat) writings. The content of samizdat or other documents originating in Eastern Europe or the U.S.S.R. should be carefully scrutinized prior to broadcast use; the same applies to the content of exile press material and organizational statements. Comment on domestic affairs should be constructive, calm and reasoned and deal with important issues, directed toward clarification of specific problems. Critical comment on governmental policies or practices in the area should be based on solid knowledge of the facts involved and expressed in responsible fashion. If possible, such critical comments include constructive elements, such as explanations of how similar problems are handled elsewhere. Overall, the purpose of RFE/RL in discussing domestic affairs is to provide full and honest information, broader perspective, and a responsible forum for a diversity of views. RFE/RL do not prescribe programmatic solutions nor offer final conclusions.

Since official ideology often fosters distortion of the historical past, RFE/RL also offer listeners basic historical and cultural materials on the heritage of their own areas. Historical events should be approached in a critical as well as tolerant spirit, avoiding chauvinistic or sectarian bias. Historical and cultural programs should be chosen for their relevance to the present concerns of the audience. Discourse and description, rather than lecturing, offer the appropriate format for such programs.

"Cross-reporting," a very important technique, conveys to RFE/RL audiences objective information on developments in Communist countries other than their own and in the case of RL, in different parts of the U.S.S.R. as well. This is a vital function because conditions vary considerably, and because official media coverage is often inadequate or distorted. Programs also pay special attention to developments in nonruling Communist parties, especially those in which lively debate is currently occurring on basic ideological and political themes. Cross-report programs make extensive use of RFE/RL research analyses as well as of Western and Communist-published materials.

RFE's and RL's newscasts are among the most important components of their broadcasting. The quality of newscasts helps set the tone for the credibility of the entire program output. The news must be accurate, objective, timely, interesting and relevant to the concerns of the listeners. Materials made available for newscasts must be thoroughly verified by news personnel as to facts and sources, as well as to avoid any suggestion of bias or sensationalism in news presentation. Confirmation by two independent sources is required when facts appear to be in doubt; clear attribution to the source is required when the information content clearly constitutes opinion or can be considered partial or self-serving.

Newscasts are supplemented by news analysis, correspondents' reports, and press review programs which reflect a broad variety of American, European and, if possible, world opinion on major international developments and questions of significance to the audience. Interviews and roundtable discussions, preferably with the participation of outside experts, provide a useful means of airing the clash of opinions on contro-

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versial issues. Although decisions on day-to-day program content to the largest extent possible reflect the outstanding issues of the day, programming on longer-term problems and trends should not be neglected. Advance program planning is essential to assure greater depth and attention to broad, less immediate issues.

RFE/RL programs must recognize the special aural problems of absorbing information, as well as those of broadcasting in conditions of jamming. Preoccupation with program content should not be at the expense of attractive format. Individual programs, as well as the overall format of broadcast schedules, should be presented at the highest possible level of modern broadcasting practices. RFE and RL will continue to study and adapt new radio techniques. Analyses of radio listening patterns among the audience, research on the changing patterns of populations in the broadcast area, and careful attention to new trends in domestic radio and television services should form the basis for a continuous reevaluation and updating of program formats and schedules.

b. *Restraints.*—Tone, language, and manner of presentation are as important in adhering to RFE/RL policy as broadcast content. Therefore, the following restraints will continue to be observed:

1. Avoidance of emotionalism, vituperation, vindictiveness, stridency, belligerency, arrogance, pomposity, pretentiousness or condescension.

2. Avoidance of sweeping generalization, propagandistic argumentation, gratuitous value judgments, unsupported criticism of the Communist system or its representatives, as well as the use of obsolete or inaccurate terminology such as "the Communist bloc," "Communist satellite countries," and "capitalism vs. communism." While RFE and RL are concerned with correcting the gaps and distortions in the official media, they do so by presenting the facts, avoiding polemical treatment of the kind the audiences are known to resent.

3. Avoidance of any programming, the content of which could be legitimately construed as inflammatory or conducive to irredentism. Judgment must be exercised as to the potentially inflammatory nature of any program.

4. Avoidance of any comment or broadcast of any material which could be reasonably construed as incitement to revolt or support for illegal and violent actions. Programmers may, however, remind listeners of standards governing basic civil rights as outlined in domestic legislation, international agreements which Soviet or East European states have obligated themselves to observe, and such internationally accepted documents as the Universal Declaration of Human Rights.

5. Avoidance of tactical advice, by which is meant recommendations for specific action in particular cases, except in unusual circumstances, and then only to calm moods in tense situations. The peoples of East Europe and the U.S.S.R., provided they know the relevant facts, are better qualified to judge the efficacy and consequences of their actions than anyone outside the countries. Such advice is likely to be resented and, if acted upon, could cause harm to the people involved.

6. No programs will be broadcast which are based upon or use rumors or unsubstantiated information. If, under unusual circumstances, a constructive purpose will be served by calling attention to a prevalent rumor, it will clearly be identified as such.

7. Editorial opinions, whether by RFE/RL staff, in press reviews, or originating in samizdat documents or exile organizational statements, shall be clearly distinguished from news and news analysis and the source of the opinion identified.

8. Avoidance of any programming that could be construed as encouraging defections. No information on "how to defect" will be broadcast, and programs on defectors living in the West will carefully avoid any suggestion that others should follow their example.

9. Avoidance of any suggestion that might lead audiences to believe that, in the event of international crisis or civil disorder, the West might intervene militarily in any part of the broadcast area.

10. Avoidance of any material which could be characterized as petty gossip,

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slander, spiteful reference to or attack on the personal lives or families of government or party leaders, or on individuals as such. The discussion of public acts of public officials should be conducted in a dignified, dispassionate, responsible manner.

11. With regard to attacks on RFE and RL themselves in East European and Soviet media, no comment or response shall be made without prior consultation on its form and content with the directors of the appropriate radio.

12. In the event of emergency conditions affecting the broadcast area, the directors of RFE and RL will consult with the Chief Executive Officer or his designated alternate. No programs referring to these conditions will be broadcast by any RFE or RL language service prior to such consultation.

III. East European and Soviet Audiences

While the above principles of RFE/RL editorial policy are binding on all language services, they should be implemented with due regard for the fact that their audiences are not homogeneous. Unique circumstances distinguish country from country and region from region. Nuances in approach are essential to address differing audiences effectively. While adherence to the principles above is essential to assure that RFE/RL programming is consistent, due regard for the specificity of differing audiences is essential.

The five nations of Eastern Europe to which RFE broadcasts and the three Baltic States have been and are more exposed than is the U.S.S.R. to Western information, ideas, economic and cultural influences. Although under Soviet domination, these nations in varying degree regard themselves as part of the West or of the European family of nations. Western thought and cultural values are broadly accepted by large elements of the population, which aspire to participation in the economic, cultural, and political life of Europe.

In broadcasting to areas which have suffered greatly from nationalistic excesses, it is essential that RFE avoid any programming that could be construed by East European listeners as reinforcing cultural or national prejudices toward other East European nations, toward the Russian people, or toward other nationalities of the U.S.S.R. Cross-reporting to Eastern Europe regarding Soviet developments, in particular the discussion of dissenting Soviet opinion, contributes to the awareness that unofficial thought in the Soviet Union shares much in common with that in Eastern Europe.

Radio Liberty's audience ranges from the highly Westernized Baltic nations to the Islamic peoples of Central Asia whose contact is mostly with other Islamic countries. Official ideology, Soviet censorship, and rigid restrictions on freedom of movement have for many years impeded the peoples of the U.S.S.R. from coming into closer contact with non-Communist countries and tended to reinforce the sense of belonging to a sui generis culture and society.

In view of the prolonged isolation and continuing insulation of Soviet society from the diversity of the contemporary world, RL faces the continuing challenge of contributing to the growth of sophistication among its various audiences. However, this cannot be achieved by indiscriminate exaltation of purely Western values, or by criticism of the Soviet system in purely Western terms. Listeners should be presented with examples of the process of free discussion, with a variety of opinions and evaluations of both national and international problems.

RL and RFE make available to audiences a broad spectrum of thought concerning issues of political, social and economic organization. This spectrum should encompass unorthodox Soviet and East European as well as non-Soviet, non-East European, Marxist thought; information on the practice of socialism in other countries; and current non-Marxist political and economic theory.

RL and RFE serve Soviet and East European citizens by airing and discussing their own views which are denied an opportunity for expression in public media by censorship. They act as a forum for indigenous political, social, religious and philosophical

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thought, without permitting their programs to become the vehicles for any single point of view.

RL's broadcasting in the major languages of the U.S.S.R. reflects its commitment to the right of nationalities to be informed and to communicate in their own languages. RL neither supports nor encourages any separatist or secessionist movement, and does not raise territorial issues.

While broadly committed to basic principles of human rights, the rule of law and nondiscrimination among peoples, RFE/RL have no mandate to advocate the establishment or disestablishment of any particular system, form of state organization, or ideology in the areas to which they broadcast.

RL scrupulously avoids stimulating any antagonism among the peoples of the Soviet Union. It sympathizes, however, with the right of all national groups to thrive, to be able to display pride in their historical and cultural achievements, and to express themselves in their own language. RL also supports the right of individuals freely to assert their national origins as well as their religious and political convictions and to be secure against discrimination on these accounts.

RFE and RL programs express respect for all peoples, religions, and cultures and should under no circumstances fan or fuel chauvinism. They should contribute to better understanding of one another among national groups; to recognition of shared concerns among the peoples of the U.S.S.R., as well as the nations of Eastern Europe, for the right of unfettered development and progress; and to a broader perception of the interdependence of nations and peoples in the modern world.

If necessary, supplementary program policy guidelines may be issued for the use of individual RFE or RL language services. These will develop the general principles set forth in the present document with specific reference to the needs of a particular audience.

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ARTHUR ANDERSEN & Co.

1666 K STREET, N. W.
WASHINGTON, D. C. 20006
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To the Board for International Broadcasting:

We have examined the balance sheets of RFE/RL, INC. (a Delaware nonprofit corporation) as of September 30, 1981 and 1980, and the related statements of revenues, expenses and changes in net liabilities and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of RFE/RL, INC. as of September 30, 1981 and 1980, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Washington, D.C.,
November 24, 1981.

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RFE/RL, INC. BALANCE SHEETS AS OF SEPTEMBER 30

ASSETS

	1981	1980
Current assets:		
Cash	$3,375,899	$1,602,441
Accounts receivable	1,079,863	926,998
Prepaid and deferred charges	576,307	780,874
Other assets	268,421	458,215
Grants receivable (Note 2)	3,758,900	5,874,933
Total current assets	9,059,390	9,643,461
Long-term assets:		
Cash surrender value of insurance policies (Note 4)	21,100,428	24,881,524
Spare parts and supplies, at cost (Note 3)	1,377,046	1,637,921
Less—Reserve for obsolescence	(642,180)	(800,828)
	734,866	837,093
Capital assets, at cost (Note 3)	18,823,913	17,467,256
Less—Reserves	(18,823,913)	(17,467,256)
	—	—
Total long-term assets	21,835,294	25,718,617
	$30,894,684	$35,362,078

LIABILITIES AND NET LIABILITIES

	1981	1980
Current liabilities:		
Accounts payable	$329,916	$470,005
Accrued salaries	2,498,125	2,680,232
Accrued vacation	2,293,795	2,231,714
Taxes payable	335,732	345,869
Other liabilities	5,982,162	3,279,957
Total current liabilities	11,439,730	9,007,777
Deferred revenues (Note 3)	3,093,262	4,986,448
Long-term liabilities:		
Pensions (Note 4)	37,976,191	41,992,954
Severance (Note 5)	11,261,549	12,581,416
Total long-term liabilities	49,237,740	54,574,370
Commitments and contingencies (Note 6)		
Liabilities (Note 2)	(32,876,048)	(33,206,517)
	$30,894,684	$35,362,078

The accompanying notes are an integral part of these balance sheets.

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET LIABILITIES FOR THE YEARS ENDED SEPTEMBER 30

	1981	*1980*
Revenues:		
U.S. Government grant (Note 2)	$82,331,099	$90,343,509
Operating expenses:		
Personnel:		
Employee salaries	42,911,690	46,390,990
Severance	2,729,616	3,730,672
Taxes	5,291,968	5,886,000
Fringe benefits	9,290,110	10,956,069
Pension program (Note 4)	11,039,870	13,125,193
Total personnel expenses	71,263,254	80,088,924
Administrative:		
Miscellaneous fees and professional services	4,195,776	3,448,807
Travel	339,336	272,456
Rent and utilities	1,044,953	873,439
Licenses, royalties, and copyrights	1,183,369	1,327,446
Technical	5,511,220	5,187,539
News and information	677,766	709,467
Representation	37,992	40,735
Conferences	29,587	33,887
General and administrative	2,805,583	2,493,868
Total administrative expenses	15,825,582	14,387,644
Total operating expenses	87,088,836	94,476,568
Capital Expenses (Note 3)	4,042,806	2,424,603
Total expenses	91,131,642	96,901,171
Revenues (under) expenses, before translation gain	(8,800,543)	(6,557,662)
Translation gain (Note 3)	9,131,012	1,409,897
Revenues over (under) expenses and Translation gain	330,469	(5,147,765)
Net liabilities, beginning of period	(33,206,517)	(28,058,752)
Net liabilities, end of period	$(32,876,048)	$(33,206,517)

The accompanying notes are an integral part of these statements.

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STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED SEPTEMBER 30

	1981	*1980*
Cash, at beginning of year	$1, 602, 441	$1, 199, 799
Source of cash:		
Revenues	82, 331, 099	90, 343, 509
Translation gain	9, 131, 012	1, 409, 897
Decrease in:		
Accounts receivable	—	468, 885
Grants receivable	2, 116, 033	2, 148, 307
Prepaid and deferred charges	204, 567	—
Cash surrender value of insurance policies	3, 781, 096	—
Spare parts and supplies, net	102, 227	—
Other assets	189, 794	—
Increase in:		
Accounts payable	—	12, 367
Accrued salaries	—	—
Accrued vacation	62, 081	188, 903
Taxes payable	—	20, 589
Other liabilities	2, 702, 205	—
Deferred revenues	—	—
Reserve for pension (Note 4)	—	10, 796, 921
Reserve for severance	—	1, 333, 139
Total sources	100, 620, 114	106, 722, 517
Use of cash:		
Total expenses	91, 131, 642	96, 901, 171
Increase in:		
Accounts receivable	152, 865	—
Prepaid and deferred charges	—	46, 325
Other assets	—	43, 334
Cash surrender value of insurance policies	—	3, 451, 682
Spare parts and supplies, net	—	80, 518
Decrease in:		
Bank borrowings	—	3, 840, 598
Accounts payable	140, 089	—
Accrued salaries	182, 107	99, 551
Taxes payable	10, 137	—
Other liabilities	—	76, 674
Deferred revenue	1, 893, 186	1, 780, 022
Reserve for severance	1, 319, 867	—
Reserve for pension (Note 4)	4, 016, 763	—
Total uses	98, 846, 656	106, 319, 875
Cash, at end of year	$3, 375, 899	$1, 602, 441

The accompanying notes are an integral part of these statements.

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NOTES TO FINANCIAL STATEMENTS SEPT. 30, 1981 & 1980

1. DESCRIPTION OF ORGANIZATION

RFE/RL, Inc. ("RFE/RL") transmits radio broadcasts to Eastern European countries, including the Soviet Union. The following is a brief description of these activities by location.

Germany. The headquarters of RFE/RL is located in Munich, Germany. Transmitter sites are located in Lampertheim, Biblis and Holzkirchen, Germany. RFE/RL operates under a broadcasting license originally granted by the German Post Ministry in 1955 and most recently renewed in 1978.

United States. RFE/RL maintains an office in Washington, D.C., where various management and special programming functions are performed. Additional programming operations are located in New York.

Portugal. A major transmitter site of RFE/RL is located in Gloria, Portugal, and operated by its affiliate, Raret (a Portuguese corporation). Raret has an operating agreement expiring in 1992 which requires an annual license fee of $200,000 to be paid to the Portuguese Government. This fee escalates when RFE/RL increases the transmitter power of its operations in Gloria. In fiscal year 1981, RFE/RL provided $15,000 for an estimated increase in the Portuguese fee resulting from the installation of new transmitters in Portugal.

Spain. Another major transmitter site of RFE/RL is located in Playa de Pals, Spain. The operating agreement for this transmitter site with the Spanish Government expired in March 1976. However, the lease payments of $285,000 due annually under the old contract have been paid through 1981. RFE/RL has been permitted to continue operations without interruption.

Other. News bureaus are maintained in Washington, D.C., and various European capitals.

Board for International Broadcasting. The Board for International Broadcasting ("BIB"), an independent U.S. Federal agency, oversees the operations of RFE/RL and administers the funding of the operations through government grants.

2. FUNDING

RFE/RL receives U.S. Government funding through BIB in the form of annual grants. The grant agreement between RFE/RL and BIB provides that grant funds are for the salaries, expenses, maintenance and operation of existing international radio broadcasting facilities at a funding level not to exceed the level stated in the grant. The grant agreement requires RFE/RL to repay to BIB all unexpended portions of the advanced funds which have not been obligated at fiscal year-end and for any interest earned on grant funds.

Balances shown as grants receivable represent amounts due from the U.S. Government for modernization programs in process at selected transmitting sites.

The exchange rates for the foreign currencies required for RFE/RL's operations relative to one U.S. dollar were budgeted as follows for the years ended September 30:

	1981	*1980*
West German marks	1.74	1.74
Portuguese escudos	49.79	49.79
Spanish pesetas	65.99	65.99

In 1981, because actual foreign currency exchange rates were more favorable than those budgeted, $15,633,242 of funds originally granted were returned to the U.S. Treasury. In 1980, RFE/RL received additional funds of $8,162,451 to cover losses resulting from the fact that actual exchange rates were less favorable than budgeted rates. These funds were provided from a foreign exchange contingency fund estab-

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lished by the U.S. Congress to protect RFE/RL against exchange losses. At September 30, 1981, the balance in the contingency fund was $3,395,000.

Reconciliations of the amount of revenues from the U.S. Government grant, as reported in the Statement of Revenues and Expenses, to the amount provided by the original grant agreements for the years ended September 30, are as follows:

	1981	*1980*
Provided by grant agreements	$97,495,000	$80,430,000
Foreign currency exchange adjustments (gain)/loss	(15,633,242)	8,162,451
Grants reapportioned for expenditure by BIB	(1,423,845)	(28,000)
Expenditure of deferred revenues (Note 3)	1,893,186	1,780,022
Grant funds not obligated	—	(964)
Total revenues	$82,331,099	$90,343,509

Funds provided by grant agreements include $4,000,000 supplemental appropriations to repair damages from a bomb explosion at Munich headquarters.

RFE/RL's net liability position is attributable to accruals for salaries, vacation, pensions and severance. These liabilities are fully accrued in the financial statements; however, RFE/RL receives and records grant revenues only when required to make the related cash payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting. The financial statements of RFE/RL, prepared on the accrual basis of accounting, agree with the books and records of RFE/RL with the following exception. On its books, RFE/RL has recorded grant revenues and capital expenses related to commitments for modernization expenditures. For financial statement purposes, these amounts are presented as deferred revenues and are reflected in the financial statements as revenue and expense when the expenditures are made.

The following reflects the activity of funds available for modernization expenditures.

	1981	*1980*
Balance of deferred revenues at beginning of the year	$4,986,448	$6,766,470
Funds expended	(1,893,186)	(1,780,022)
Balance of deferred revenues at end of the year	$3,093,262	$4,986,448

Capital Assets. A summary of the cost by location of capital assets currently owned by RFE/RL is as follows:

	As of September 30,	
	1981	*1980*
United States	$714,598	$664,413
Germany	16,119,777	15,088,169
Portugal	1,460,453	1,413,214
Spain	529,085	301,460
Total	$18,823,913	$17,467,256

Capital assets are stated in the financial statements at cost and are fully reserved by a charge to operations in the period in which the assets are acquired.

As part of the operating agreements with Portugal and Spain, RFE/RL has transferred to these governments the title to assets originally costing approximately $6,150,000 and $6,000,000 respectively. RFE/RL continues to use these assets in

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its operations, but these assets are not reflected in the balance sheets since RFE/RL no longer holds title. The titles to all of the remaining assets in Portugal and Spain will be transferred to the respective governments in the future.

In addition, RFE/RL uses transmitters and other equipment and property costing approximately $9,133,000, which were purchased by the BIB. RFE/RL does not pay rent for use of this property, and it is not reflected as assets of RFE/RL, since it belongs to BIB.

The main operations and administration building in Munich is on land owned by a Bavarian administrative authority. In 1987, ownership of the building will be transferred to the administrative authority, and RFE/RL will receive 75% of the fair value at the transfer date. The most recent appraisal, made in 1980, valued the building at DM 26,500,000 (U.S. $14,630,000).

Spare Parts and Supplies. Spare parts and supplies for the transmitter stations are stated at cost, and an obsolescence reserve, approximately 50% of cost, has been established.

Taxes. No provision for income taxes is made since RFE/RL is exempt from U.S. Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Similar exemptions are granted by the European countries where RFE/RL's operations are located.

Foreign Currency Translations. A significant portion of the assets and liabilities of RFE/RL relate to operations outside of the United States. All foreign currency assets and liabilities are translated at the rate of exchange in effect at the close of the fiscal year, except capital assets, which have been translated at historical rates. The exchange rates relative to one U.S. dollar at the close of the fiscal year were as follows:

	1981	*1980*
West German marks	2.32	1.81
Portuguese escudos	65.24	50.38
Spanish pesetas	95.00	73.90

Mark, escudo and peseta expenses are stated at the approximate U.S. dollar equivalent on the date of the purchases of those currencies for use in the European operations.

4. PENSIONS

RFE/RL has separate U.S., German, Portuguese and Spanish pension plans. The expense provisions for the respective pension plans include the amortization of past service costs over periods ranging from ten to thirty years.

The pension expense and the related direct long-term liability include the following:

	Expense		*Liability as of Sept. 30*	
	1981	*1980*	*1981*	*1980*
German	$9,512,877	$9,919,506	$34,937,702	$38,767,194
Portuguese	605,755	959,135	2,277,531	2,436,549
Spanish	152,072	461,603	760,958	789,211
United States	769,166	1,784,949	—	—
Total	$11,039,870	$13,125,193	$37,976,191	$41,992,954

U.S. Program. RFE/RL provides a noncontributory, defined benefit plan for all U.S. and overseas contract personnel and funds these accrued pension costs. As of September 30, 1980, the date of the latest completed review, the estimated actuarially computed value of vested benefits of plan participants exceeded by approximately $4,175,000 the value of the plan assets.

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German Program. The German operation has a noncontributory defined benefit pension plan for substantially all personnel except executives and certain other U.S. employees. The plan provides for old age, disability and survivor benefits. An employee becomes a member of the plan after ten years of service.

RFE/RL insures a portion of the benefits (disability and survivor) and the employees have a direct claim against the insurance company. RFE/RL is directly liable for the remaining benefits and has purchased insurance which covers part of this liability. The cash surrender value of this insurance and the actuarially computed liability for pension benefits are reflected in the balance sheet.

German law requires pension payments to retirees have to be reviewed for cost of living adjustments at least every three years. As a result of such review in fiscal year 1981, prior service costs of $1,600,000 were incurred.

In 1979, approximately 200 employees exercised their right to choose between the benefits of the German and the U.S. plans. Modifications to the German plan for this group of employees resulted in prior service costs of $2,716,000.

Not currently included in the long-term liability for pension benefits is unamortized past and prior service cost of $13,300,000 (including the above amounts) which is currently being amortized over a ten year period.

Portuguese and Spanish Programs. The Portuguese and Spanish programs cover local employees. These plans are not funded as the cost accrues; instead, RFE/RL purchases an individual annuity contract when an employee retires to provide for the future pension benefits. The present value of these obligations has been included in the reserve for pensions on the balance sheet.

5. SEVERANCE

RFE/RL makes termination payments to employees who leave RFE/RL after at least fifteen years' service or after they reach 50 years of age. Employees reaching retirement age are also entitled to these payments. The present value of this obligation, as determined by actuarial calculation on September 30, 1981, and 1980, is reflected in the accompanying balance sheet, except for unamortized prior service cost of $2,323,000, at September 30, 1981. RFE/RL does not fund these costs as they accrue.

Upon cession of operations in either Portugal or Spain, RFE/RL is liable for severance payments; however, no provisions have been made in the accompanying financial statements since management expects to continue operations in both Portugal and Spain. These contingent liabilities at September 30, 1981 in Portugal and Spain were $10,427,000 and $3,305,000 respectively; however, accrued retirement benefits of $2,277,531 and $760,958 respectively would not become payable.

6. COMMITMENTS AND CONTINGENCIES

The German operation has entered into numerous rental agreements for apartments used by certain employees. The gross rental amounts incurred for the years ended September 30, 1981 and 1980, were $1,791,000 and $2,012,000, respectively. This amount is included in operating expenses as fringe benefits. While most of these rental agreements have remaining terms of less than one year, it is expected that most of them will be renewed.

RFE/RL has leases for the Washington office space which expires in September 1985 and for the New York operations which expires in August 1990. Minimum annual rentals under the leases amount to $110,000 and $378,000, respectively.

See Note 3 for commitments for capital expenses and Note 5 regarding contingencies for termination payments.

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Some of the capital improvements made at RFE/RL in recent years: The modernized monitoring station at Schleissheim (top); the electronic data processing center at Munich headquarters (above); a visual display text editing terminal (right).

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